

Message Text

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15

ACTION AGR-08

INFO OCT-01 ARA-06 ISO-00 EB-07 PA-01 PRS-01 USIA-06

AID-05 CIAE-00 COME-00 FRB-01 INR-05 NSAE-00 RSC-01

TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01

OMB-01 NSC-05 SS-15 STR-01 CEA-01 L-02 H-01 /081 W

----- 036738

R 261125Z DEC 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 7018

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E.O. 11652: N/A

TAGS: ETRD, BR

SUBJECT: SOYBEANS

1. IN DRAMATIC FRONT PAGE ARTICLE DECEMBER 18, GAZETA MERCANTIL, BRAZIL'S PRINCIPAL FINANCIAL PAPER, CHARGED US FOREIGN AGRICULTURAL SERVICE (FAS) WITH SEEKING TO INFLUENCE WORLD SOYBEAN PRICES, THROUGH TIMELY RELEASES OF OPTIMISTIC AND PESSIMISTIC CROP FORECASTS, DEPENDING ON DESIRED RESULTS.

2. ARTICLE, WRITTEN BY WELL-KNOWN ECONOMIC REPORTER, BIONDI, WAS TRIGGERED BY FAS DIRECTOR DAVID HUME'S SPEECH BEFORE ASSOCIATION OF SOYBEAN PRODUCERS IN IOWA. HUME QUOTED TO HAVE SAID THAT HIGH SOYBEAN PRICES ARE STIMULATING PRODUCTION IN OTHER COUNTRIES, A DEVELOPMENT WHICH WOULD WEAKEN US LONG-TERM POSITION IN WORLD SOYBEAN MARKET.

3. GIST OF BIONDI'S ARGUMENT IS THAT FAS PUBLISHES CONSERVATIVE PRODUCTION ESTIMATES WHEN US HARVEST ABOUT TO COME ON THE MARKET, THEREBY STRENGTHENING WORLD MARKET PRICES; CONVERSELY, THAT FAS TENDS TO PUBLISH REVISED LIBERAL PRODUCTION ESTIMATES

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WHEN SOUTHERN HEMISPHERE'S SOYBEAN CROP REACHES MARKET,

THEREBY WEAKENING SOYBEAN PRICES.

4. TO SUPPORT HIS ARGUMENT BIONDI ALLEGES THAT LAST WEEK US ANNOUNCED REVISED WHEAT HARVEST ESTIMATE AFTER MORE PESSIMISTIC FORECASTS IN AUGUST, SEPTEMBER AND OCTOBER. SIMILARLY, IN RESPECT OF SOYBEANS, BIONDI ARGUES THAT AMERICAN EXPERTS FOR SOME TIME WERE AWARE OF INCREASE IN FISH MEAL SUPPLIES, SUBSTITUTE FOR SOYBEAN MEAL, IN VIEW OF REAPPEARANCE OF ANCHOVIES OFF THE COAST OF PERU; AND THAT INCREASE IN BRAZILIAN SOYBEAN PRODUCTION THIS YEAR WAS ALSO KNOWN. AMERICAN EXPERTS, HOWEVER, CHOSE NOT TO PUBLICIZE THESE FACTS WHILE US SOYBEAN HARVEST WAS BEING SOLD. BIONDI CONCLUDES THAT DIRECTOR HUME WAS PUBLICIZING INCREASE IN WORLD SOYBEAN PRODUCTION AT THIS TIME WHEN BRAZIL WAS ABOUT TO SELL ITS CROP, IN ORDER TO WEAKEN PRICES AND DISCOURGE FURTHER INCREASES IN SOYBEAN PRODUCTION IN BRAZIL AND OTHER COUNTRIES.

5. COMMENT: CHARGES OF MANIPULATION OF WORLD SOYBEAN PRICES ARE, OF COURSE, NOT NEW HERE IN BRAZIL. FOR EXAMPLE, DURING THE LAST SEVERAL MONTHS THERE HAS BEEN A NUMBER OF PRESS STORIES ACCUSING MULTATIONALS OF MANIPULATING PRICES TO THE DETRIMENT OF BRAZIL. ON THE OTHER HAND, THIS IS THE FIRST ARTICLE WE HAVE SEEN CHARGING AN OFFICIAL ORGAN OF THE USG OF TRYING TO INFLUENCE PRICES. WHILE BIONDI'S ARGUMENT HAS NOT YET BEEN PICKED UP BY OTHER COMMENTATORS, IT IS SIGNIFICANT THAT THIS ARTICLE APPEARS IN ONE OF BRAZIL'S MOST PRESTIGIOUS BUSINESS PAPERS. THERE ARE INCREASING SIGNS OF BRAZILIAN SENSITIVITY OVER SOYBEAN PRICES AND MARKETING; MANY BRAZILIANS BELIEVE THAT BRAZIL WAS "TAKEN" THIS YEAR BY MULTINATIONAL TRADERS WHO BOUGHT BRAZIL'S SOYBEAN HARVEST EARLY IN THE YEAR AT PRICES WELL BELOW THE LEVEL OF \$200 PER TON. FEW OF THE CRITICS REALIZE THAT BRAZIL HAD NO CHOICE BUT TO SELL MOST OF ITS CROP EARLY IN THE YEAR BECAUSE OF ITS LIMITED STORAGE FACILITIES -- A FACT READILY ACKNOWLEDGED BY GOVERNMENT OFFICIALS.

6. THE EMBASSY HAS, OF COURSE, NO SYMPATHY FOR BIONDI'S ARGUMENT AND ITS OBVIOUS DISTORTIONS OF FACT AND MISUSE OF INFORMATION. NEVERTHELESS, IN VIEW OF BRAZIL'S INCREASING ROLE ON THE WORLD SOYBEAN MARKET, WE THINK IT IMPORTANT THAT LIMITED OFFICIAL USE

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WASHINGTON AGENCIES RESPONSIBLE FOR THE DISSEMINATION OF CROP FORECAST TAKE INTO ACCOUNT BRAZILIAN EMOTIONALISM, TO THE EXTENT THIS IS PRACTICABLE AND CONSISTENT WITH PROFESSIONAL STANDARDS OF FORECASTING.
JOHNSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, AGRICULTURAL PRODUCTION, ALLEGATIONS, SPEECHES, SOYBEANS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 26 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRASIL09590
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740374-1018
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741211/aaaaaiqb.tel
Line Count: 112
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by elyme>; APPROVED <19 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SOYBEANS
TAGS: ETRD, EAGR, BR, US, FAS, GAZETA MERCANTIL, (HUME, DAVID), (BIONDI)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005